

# Legislative Fiscal Bureau

## Fiscal Note

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HF 2586 - Venture Capital Fund Investment Tax Credits (LSB 7040 HV)  
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Fiscal Note Version - New

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### **Description**

House File 2586 creates a venture capital tax credit. The credit would be available for investments in qualified venture capital funds certified by the Department of Economic Development. The amount of the tax credit is limited to 6.0% of the investment in the venture capital fund, and the amount of tax credits issued is limited to a total of \$5.0 million. The tax credits cannot be used until the third year after the investment is made. Unused credits can be carried forward but not backward.

### **Assumptions**

1. Twenty percent of the tax credits for venture capital fund investments will be certified in the Fall of 2002 and the remainder will be certified in 2003.
2. On average, taxpayers will be able to utilize 50.0% of the tax credits in the first eligible year (three years after investment), 30.0% in the second year, and 20.0% in the third year.

### **Fiscal Impact**

House File 2585 will reduce General Fund tax receipts (personal income, corporate income, insurance premium, franchise (banking), and credit union taxes) by \$5.0 million, beginning in FY 2005. The General Fund tax reduction by year is projected to be:

- FY 2005 -- \$ 500,000
- FY 2006 -- \$ 2,300,000
- FY 2007 -- \$ 1,400,000
- FY 2008 -- \$ 800,000

### **Source**

Legislative Fiscal Bureau Analysis

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/s/ Dennis C Prouty

March 25, 2002

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.

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